United Nations A/52/847

General Assembly

Distr.: General
31 March 1998

Original: English

Fifty-second session
Agenda item 157

United Nations reform: measures and proposals

Core resources for development

Note by the Secretary-General

I. Background

1. The present note responds to paragraph 14 of General Assembly resolution 52/12 B of 19 December 1997, in which the Assembly requested the Secretary-General to submit, by the end of March 1998, for consideration by it, specific proposals for the establishment of a new system of core resources, taking into account the views expressed by Member States. The Assembly also recognized the urgent need to place resources for development on a predictable, continuous and assured basis, taking fully into account the principle of neutrality. The resolution was an initial response to the recommendation of the Secretary-General calling for a new system of core resources consisting of voluntary contributions and negotiated pledges to be appropriated in multi-year tranches, contained in his report of 14 July 1997 entitled "Renewing the United Nations: a programme for reform" (A/51/950).

2. The United Nations has inherent strengths and advantages as an instrument of multilateral development cooperation that cannot be duplicated. It is uniquely placed to address the numerous and diverse needs of the developing countries, as its universality, its governance structure and its global operation network allow it to act in a manner that responds to donor and programme countries alike. Moreover, the United Nations cannot exist as a strong force for peace unless it is also a strong force for development.

3. The signal strength and fundamental characteristics of operational activities for development, which were reaffirmed by Member States as recently as December 1997 in General Assembly resolution 52/203, are their universal, voluntary and grant nature, their neutrality and their multilateralism. More recently the Executive Board of the United Nations Development Programme/United Nations Population Fund (UNDP/UNFPA) reaffirmed that core resources are the bedrock of those activities (decision 98/3). Member States have repeatedly reaffirmed the vital importance of multilateralism based on those principles and

98-10117 (E) 150498 170498

core funding, even in the face of declining official development assistance. That reaffirmation is based on a shared vision of United Nations development assistance that helps the poorest countries and the most vulnerable and disadvantaged groups.

4. As the world faces new problems and challenges, the United Nations, through its global conferences and other negotiating mechanisms, has provided the international community with a unique forum for a new international consensus on current and future development challenges. No other global mechanism exists that allows countries to solve common problems on such a universal basis of equal participation. As the operational arm of that universal venture, development cooperation contributes directly to national and regional development and thus contributes to conditions of peace and stability and to combating poverty in all its destructive dimensions. Indeed, in the United Nations Member States have access to an unparalleled global network of country offices and adaptable programming and implementation approaches to assist the poorer Members in achieving their development objectives, while translating global goals into country-level action.

5. As the demands placed on United Nations development cooperation have increased, it has become vitally important for core resources to be placed on a predictable, continuous and assured basis, taking fully into account the principle of the neutrality of United Nations development cooperation. It is therefore essential to devise new and more effective funding strategies and modalities to generate resources commensurate with the mandates and capacity of the United Nations system.

II. Problems with current funding arrangements

6. Member States have long recognized the need to place the development activities of the United Nations on a sounder financial footing (as far back as 20 December 1977, the General Assembly, in the annex to its resolution 32/197, called for a real increase in the flow of resources on a predictable, continuous and assured basis). The issue of funding levels and funding modalities has generally been addressed as part of the overall process of restructuring and revitalization of the United Nations in the economic, social and related fields, that is, the governance and structure of relevant entities. Most recently, the General Assembly, by its resolution 50/227 of 24 May 1996, established the principle that the executive boards of the funds and programmes should review their respective resource requirements in accordance with policy parameters established by the Assembly with a view to taking decisions on applicable funding arrangements.

7. While the level of resources is first and foremost a matter of political determination by Member States, funding modalities vary in their degree of predictability. Unfortunately, the current funding arrangements, including the annual pledging conference for all United Nations operational activities for development, have proved to be deficient in this respect. While total funding from core and non-core resources has increased modestly in recent years, the share of core resources in overall resources has declined and now constitutes less than half of the total. Moreover, pledges and contributions are falling far short of agreed targets. The weakness of current voluntary funding inhibits the effective long-term planning that is essential for the design and implementation of long-term development assistance. Indeed, a major disadvantage of voluntary pledges lies in their volatility. Because they entail no element of obligation, they are also among the first targets in any budgetary reduction.

8. Although the funds and programmes have undergone significant reforms, have adopted a new governance structure and are implementing priority development programmes with a more coordinated and effective approach, core resources are still declining. A number of

reasons to explain this have been advanced, including the overall decline of levels of official development assistance; budgetary pressures on national budgets of key donor countries; so-called "donor fatigue"; an increasingly competitive environment; and the imposition of greater control over the end use of funds through more frequent recourse to earmarked funding.

9. In addition to these external factors, inherent weaknesses in the voluntary funding modality itself have been highlighted in a series of studies. They range from lack of predictability and binding pledges on the part of donors to the constant need to reassess and redirect priorities in order to gain the necessary support. Whatever the reasons, the simple fact is that the decline in core resources analysed in the reports of the Secretary-General submitted to the substantive session of the Economic and Social Council for 1997[1] and the report to the General Assembly on funding modalities of operational activities (A/52/431) has not been reversed. Moreover, the 1997 pledging conference confirmed the continuing softness in actual and prospective core funding for 1998. Current estimates for 1997 funding and projections for 1998 thus reveal a continuing reduction in contributions together with a small increase in non-core and supplementary funding, which now represent the largest component of total funding.

III. Current action by executive boards

10. After unsuccessful attempts at exploring new approaches to remedy problems with the voluntary systems, notably those made in the open-ended consultations (summarized in document A/49/749, annexes I and II), the General Assembly decided in its resolution 50/227 (annex, para. 12) that the executive boards of the funds and programmes should review their respective resource requirements in accordance with the relevant decisions taken by the Assembly and the Economic and Social Council and decide on the applicable funding arrangements. The boards are now engaged in this critically important phase of placing core resources on a predictable, continuous and assured basis.

11. Thus, in September 1997, the Executive Board of UNDP/UNFPA began to review for UNDP issues pertaining to a sustainable funding strategy on the basis of reports submitted by the Administrator. In its decision 98/3, the Board established an open-ended ad hoc working group on the UNDP funding strategy, which is meeting on a regular basis with the aim of completing its work by September 1998. In its decision 98/2, the Board also recognized the importance of non-core resources as a mechanism to enhance the capacity and supplement the means of UNDP and decided to keep the trends and impact of non-core resources under close review.

12. As regards UNFPA, its Board began reviewing resource issues in June 1997 on the basis of the intergovernmental agreement at the International Conference on Population and Development (1994) and the Board will decide on a time-frame for deliberations on the matter at its second regular session, in April 1998, on the basis of a conference room paper on the mobilization of resources. Similarly, the Board of the United Nations Children's Fund (UNICEF) considered the issue of resources and resource availability. The Board will hold inter-sessional consultations to prepare formal consideration of questions such as burden-sharing, multi-year pledges and efforts to stem declining contributions and other relevant issues at its annual session, in June 1998.

13. The Board of the World Food Programme (WFP) will review its experience with long-term financing policies in support of emergency assistance and development programmes, which are deeply linked at the country level. The results of the review and future

arrangements will be considered by the Board during 1998, with the aim of establishing resources and long-term financing policies that will provide WFP funding to achieve its mission.

14. The negotiations at the board level are expected to have a major bearing on the future course of resource mobilization and the question of new and innovative funding modalities for operational activities. A promising start has been made in the search for practical and workable solutions at the level of the boards. It is vitally important that this search be crowned with success: the future viability of multilateral cooperation is at stake.

15. In fulfilling their important responsibilities, the boards may wish to explore the acceptability of ideas that have been raised previously to strengthen the voluntary system without having to adopt major new modalities at the level of the General Assembly. Thus, renewed consideration might be given by Member States to making multi-year pledges of their voluntary contributions. Moreover, Governments could agree on relatively simple steps to negate the influence of downward fluctuation of currencies.

16. Multi-year, voluntary pledges could be based on the best 3-year average in the last 10 years as a starting point. Moreover, each Member State would be free to increase or decrease the pledge by, for example, giving at least one year's advance notice, thereby allowing boards and executive heads to plan accordingly.

17. In order to mitigate the effects of currency fluctuations, a system of maintaining commitments and payments at the United States dollar level, which is the currency for programme and administrative budget planning, could be introduced. Member States may also wish to consider the use of special drawing rights, authorized some time ago, but never used. This could help to eliminate the impact of currency fluctuations by reducing the magnitude of the swings. The use of special drawing rights would require that Member States adjust contributions, as necessary, to maintain the value of their pledges.

18. The timing of payments could be better organized to make funds available when needed for operational purposes. The early payment of contributions would ensure the timely availability of funds. Furthermore, Member States could provide a firm timetable for payment of contributions or issue letters of credit or similar financial instruments for the multi-year planning cycle, including promissory notes.

19. Greater predictability in the funding of core resources will increase the efficiency of the United Nations funds and programmes, avert discontinuity in supporting programme countries (thus enhancing quality programmes) and maintain a relationship of trust and reliability that is key to the United Nations role as an effective development partner. It will also lead to better planning and enhance management oversight by the boards. The practical steps mentioned above, including the use of promissory notes, would create the necessary conditions for greater predictability.

20. While all countries contribute to development cooperation, close to 90 per cent of core resources are provided by only 15 countries. This narrow donor base has remained unchanged for a number of years. Although efforts to increase core funding must, in the first instance, be directed at that group of countries, new relationships with new potentially important donors need to be forged, possibly within the context of the current negotiations in the executive boards. Countries with large and growing economies should be in a position to carry a larger share, which in turn could help stimulate further support by the traditional donors.

21. The magnitude of needs and targets established at the board level needs to be considered in the context of potential new, significant donors prepared to increase the overall level of resources. Clearly, the purpose of the current discussion should be not only to

provide predictability, but also to aim at meeting the increased levels of demands and needs, thus gradually increasing the level of resources, at least in nominal terms.

22. Ideally, the current voluntary funding system could also be strengthened by adopting a system of negotiated voluntary pledges that enjoy a measure of protection and would place United Nations development cooperation on a firmer and more stable footing. Without departing from the principle of voluntary funding, Member States could arrive at a firm compact on resource targets and a collective commitment to meet them. The agreed resource targets, resource frameworks and funding strategies would be endorsed by the respective boards. They would also adopt a negotiating process with respect to shared core funding timed to the country programming cycle of each fund. The decision of each board on funding requirements would form the basis of those negotiations, which could produce multi-year pledges. The first phase of negotiations would start on the basis of current patterns of funding by donor countries, although in a later phase changes might be introduced to broaden the range of donors, thus ensuring a more secure and sustainable level of funding. It is hoped that the use of negotiated voluntary pledges will provide the basis for steady increases on a predictable, continuous and assured basis for operational activities for development.

IV. Conclusions

23. At the root of an effective funding modality lies strong political commitment arrived at in establishing a new partnership among Member States and with the executive heads. Such a partnership is being forged through the various boards. While there is active consideration of the funding question of the boards in accordance with the provisions of resolution 50/227, it will be essential to achieve rapid and lasting solutions. Recent trends in core funding are disturbing and may eventually affect the capacity of the United Nations to discharge its development cooperation mandate precisely at a time of broad consensus achieved at the recent cycle of global conferences on the principal dimensions of United Nations system support to national and regional development.

24. Given the evident political commitment to finding solutions to the current funding problem, it is essential that immediate and effective steps be taken to achieve greater predictability through multi-year, voluntary pledges and to introduce acceptable safeguards against currency volatility. Such practical steps should not require difficult and long negotiations as would be needed for the creation of a new funding modality; all that is needed is a clear decision in favour of multilateralism and United Nations development cooperation. It should also be possible to place the current voluntary system on a more solid footing by exploring additional, innovative funding avenues. Various proposals have been advanced to improve and possibly to change the present funding system, and their relative merits were explored previously; some, including greater access to private sources, may offer interesting possibilities for supplementing an effective voluntary system.

25. It bears recalling that Member States, in the annex to resolution 50/227, recognized that there was a need for a substantial increase in resources for operational activities for development and that efforts to mobilize the political will should be intensified in order to achieve that objective. Member States also stated in paragraph 3 of the annex to the resolution that there was an urgent need to strive for the fulfilment of the agreed target of 0.7 per cent of gross national product for official development assistance as soon as possible. Those solemn commitments must now be translated into concrete steps, first at the level of the boards and subsequently by a review of overall policy issues regarding modalities of funding of operational activities.

Notes

[1] E/1997/65 and Add. 1.